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HOUSE JOINT RESOLUTION 743  
By Bowers

A RESOLUTION to express opposition to the proposed action by the United States Congress to extend to five years the moratorium on state and local sales and use taxation on electronic commerce.

WHEREAS, the several states and their local units must finance the costs of government from a base already heavily drawn upon through federal taxation; and

WHEREAS, federal encroachment on and limitation of the tax base available to states, including Tennessee, results in substantial hardship on persons and businesses in Tennessee and compounds the revenue crisis that Tennessee faces; and

WHEREAS, in 1997, the United States Congress imposed a moratorium on state and local taxes targeting electronic commerce, which will not expire for another seventeen (17) months; and

WHEREAS, a number of bills before Congress, such as S. 1611, S. 2028, S. 2255, H.R. 3709, H.R. 4202, and H.R. 4267 would extend the moratorium to as much as five (5) years, and at the same time would remove an exemption granted a handful of states that collected taxes on electronic commerce prior to the 1997 act; and

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WHEREAS, the proposal to extend the federal moratorium represents a further and continued direct encroachment on state sovereignty and the ability to provide adequate services to the citizens of Tennessee by limiting without justification the tax base available to fund those services; and

WHEREAS, a number of states, including Tennessee, are heavily dependent upon sales and use taxes to finance the cost of government and the state sales and use tax base has been declining relative to state personal income for many years. A new threat to this tax base is the expansion of remote sales through electronic commerce, which, according to a February, 2000 study by Dr. Donald Bruce and Dr. William F. Fox of the Center for Business and Economic Research at the University of Tennessee, is projected to cost the state of Tennessee almost three hundred million dollars (\$300,000,000) annually in lost revenue within three (3) years, and ten billion eight hundred million dollars (\$10,800,000,000) nationally; and

WHEREAS, the proposal to extend the federal moratorium would continue to place brick and mortar businesses in Tennessee at a severe disadvantage in competing with new forms of electronic commerce by providing an unjustified tax exemption to business conducted through electronic commerce. This disadvantage is particularly great in states such as Tennessee that rely heavily on their sales and use tax base; and

WHEREAS, Tennessee has recently experienced a revenue shortfall crisis, and, through intensive study by the executive and legislative branches, has been compelled to examine its options to make up or otherwise deal with the insufficiency in anticipated revenue; and

WHEREAS, the action of Congress to extend the moratorium for five (5) years would be ill considered in that it would preempt state action in an important part of the spectrum of available tax bases. Such a further limitation of state sovereignty would compel states to seek alternatives with aspects that are detrimental to their citizens; now, therefore,

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE ONE HUNDRED FIRST GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE SENATE

CONCURRING, That this General Assembly requests the United States Congress to refrain from any action which would extend the moratorium on state and local taxation of electronic commerce.

BE IT FURTHER RESOLVED, That appropriate copies of this resolution be sent to each member of the U. S. Congressional Delegation from Tennessee, to each member of Congress, the Speaker and Clerk of the U. S. House of Representatives, the President and Secretary of the U. S. Senate, and the presiding officer of each state legislative chamber.